

Message Text

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ACTION ARA-10

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SUBJ: MARCONA - NEGOTIATIONS BEGIN AGAIN

REF: LIMA 7330

1. FURTH AND COMPTON CALLED ON AMBASSADOR MORNING OF SEPTEMBER 11. (THEY HAD RETURNED TO LIMA EARLIER THAT DAY TOGETHER WITH ENRIQUE EAST.) THEY EXPRESSED HOPE THAT PROGRESS MIGHT BE MADE TOWARD RESOLUTION OF PROBLEM IN MEETING SCHEDULED FOR NOON THAT DAY WITH GOP TEAM HEADED BY AMBASSADOR DE LA PUENTE. AMBASSADOR REVIEWED FAVORABLE INDICATIONS THAT WE HAVE RECENTLY RECEIVED THAT GOP IS ANXIOUS TO SETTLE ISSUE BUT CAUTIONED THAT HARD BARGAINING LIES AHEAD BEFORE GOP CAN BE EXPECTED TO AGREE TO FIGURE ACCEPTABLE TO MARCONA. MARCONA SHOULD ACCORDINGLY NOT BE DISCOURAGED IF FIRST SESSIONS APPEAR TO BE DIFFICULT.

2. SUBSEQUENTLY, AMBASSADOR CALLED ON FOREIGN MINISTER DE LA FLOR AT LATTER'S REQUEST. AFTER DISCUSSION OF SEVERAL MATTERS, INCLUDING NAC AND UN SEVENTH SPECIAL SESSION, DE LA FLOR TOOK UP WHAT APPEARED TO BE PRINCIPAL ITEM ON HIS AGENDA. HE SAID THAT GOP HOPED FOR RESOLUTION OF MARCONA PROBLEM BUT URGED AMBASSADOR TO

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PERSUADE MARCONA TO BE "REASONABLE". AS HE HAD ON PRE-

VIOUS OCCASIONS (LIMA 6765), HE TOOK POSITION THAT ANY SETTLEMENT WOULD HAVE TO BE CONSISTENT WITH PERUVIAN LAW AND THAT GOP COULD NOT REVERSE ITSELF (E.G., REPEAL OR AMEND DECREE LAW WHICH EXPROPRIATED MARCONA), PARTICULARLY IN EARLY DAYS OF NEW REGIME. THE USG, CONTINUED THE MINISTER, WOULD SURELY NOT WISH TO SEE MORALES BERMUDEZ PLACED IN A COMPROMISING POSITION IN WHICH HE WOULD BE SUBJECT TO CRITICISM, ESPECIALLY FROM THE LEFT. DE LA FLOR WHEN ON TO DEFEND THE DECREE LAW, ESPECIALLY THE OFFENDING ARTICLE 8, AND OBSERVED THAT MARCONA HAD BEEN GUILTY OF BREACH OF CONTRACT, TO WHICH AMBASSADOR RESPONDED AS HE HAD BEFORE THAT CONTRACT ALSO CONTAINED PROVISIONS FOR CONSULTATION AND ARBITRATION IN EVENT OF DIFFERENCES OF INTERPRETATION; NONE OF THESE PROVISIONS HAD BEEN OBSERVED NOR HAD MARCONA BEEN GIVEN OPPORTUNITY TO DEFEND ITSELF AGAINST WHAT UP TO THIS POINT ARE ONLY ALLEGATIONS.

3. AMBASSADOR ALSO INFORMED DE LA FLOR OF PRESIDENT'S REMARKS DURING MEETING WITH DIPLOMATIC CORPS SEPTEMBER 4 TO EFFECT THAT AMBASSADOR SHOULD NOT BE CONCERNED AND THAT MARCONA PROBLEM WOULD BE SETTLED PROMPTLY (LIMA 7322). DE LA FLOR (WHO HAD BEEN IN NEW YORK AT THE TIME) SHOWED NO VISIBLE REACTION TO THIS COMMENT. HE REFERRED TO HIS CONVERSATION WITH ASSISTANT SECRETARY ROGERS (STATE 214275) DURING WHICH HE SAID ASSISTANT SEC ROGERS INDICATED THAT MARCONA WOULD BE "REASONABLE".

4. THE AMBASSADOR EMPHASIZED TO FOREIGN MINISTER THAT HIS ROLE HAD BEEN LARGELY ONE OF HELPING TO BRING PARTIES TOGETHER, AFTER WHICH OUTCOME DEPENDED LARGELY ON THE NEGOTIATING PROCESS. HIS INSTRUCTIONS WERE TO CONTINUE TO WORK TOWARD A NEGOTIATION (AND NOT MERELY A SESSION OF CONVERSATION AND EXPLANATION) IN WHICH COMPENSATION FOR ALL OF MARCONA'S PROPERTIES WOULD BE WORKED OUT. NATURALLY HE, LIKE DE LA FLOR, WOULD FOLLOW NEGOTIATIONS CLOSELY AND WOULD BE PREPARED TO BE HELPFUL WHEN AND IF APPROPRIATE, BUT HE COULD NOT INTERVENE, ESPECIALLY TO TELL MARCONA TO FORGET ABOUT THE SAN NICOLAS ISSUE. AT THE SAME TIME, HE FELT SURE THAT ANY AGREEMENT REACHED THAT WAS ACCEPTED BY MARCONA WOULD CERTAINLY BE ACCEPTABLE TO USG. DE LA LIMITED OFFICIAL USE

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FLOR RESPONDED THAT HE HOPED HE WOULD HAVE OPPORTUNITY TO DISCUSS MATTER WITH THE SECRETARY AND OTHER SENIOR DEPARTMENT OFFICERS WHEN HE RETURNS TO NEW YORK LATER THIS MONTH.

5. COMPTON SUBSEQUENTLY REPORTED TO EMBASSY RESULTS OF FIRST MEETING WITH GOP TEAM. HE SAID THEY HAD MET FROM 12:00 TO 4:30 P.M. IN VERY CORDIAL ATMOSPHERE, ALTHOUGH THERE WAS NOTHING CONCRETE TO REPORT SO FAR.

HE SAID PERUVIAN TEAM AHD ADJOURNED DISCUSSION TO REPORT TO THEIR PRINCIPALS AND TO OBTAIN ADDITIONAL AUTHORITY. DISCUSSION HAD CENTERED ON POINTS OF MUTUAL INTEREST SUCH AS SHIPPING AND SALES, AND GOP SHIPPING EXPERT HAD BEEN PRESENT. AT NEXT MEETING, COMPTON EXPECTED REPRESENTATIVE OF MINPECO TO ATTEND TO DISCUSS SALES IN GREATER DETAIL. QUESTION OF VALUE OF MARCONA'S PROPERTY HAS BEEN TOUCHED UPON, BUT GOP TEAM DID NOT FEEL COMPETENT TO DISCUSS SUBJECT AT THAT POINT. OTHER MAJOR ITEM WAS WHAT COULD BE DONE ABOUT LEGISLATION, IN PARTICULAR "ARTICLE 8", WHICH APPEARED TO STAND IN WAY OF SETTLEMENT. GOP TEAM ALSO UNDERTOOK TO EXPLORE THIS MATTER WITH PRINCIPALS. NEXT MEETING SCHEDULED FOR SEPTEMBER 12.

6. COMMENT: JUDGING FROM COMPTON'S REPORT, FIRST MEETING PROBABLY WENT ABOUT AS WELL AS COULD BE EXPECTED, AND DIFFICULT BARGAINING UNDOUBTEDLY LIES AHEAD. WE ARE INCLINED TO VIEW FOREIGN MINISTER'S REMARKS IN THIS CONTEXT AS GOP AIMS AT SETTLEMENT AT MINIMUM ECONOMIC AND POLITICAL COST. DE LA FLOR'S REMARK TO THE EFFECT THAT USG WILL WISH TO AVOID EMBARRASSMENT TO NEW PRESIDENT IS SIMILARLY IN THIS CONTEXT AND COMES AS NO SURPRISE. WE WERE WONDERING WHEN THIS ARGUMENT WOULD BE ADVANCED. THIS IS NOT TO SAY THAT MINISTER'S OBSERVATIONS IN THIS CONNECTION ARE WHOLLY WITHOUT FOUNDATION. THE GOP WILL INDEED HAVE TO MOVE WITH CARE TO EXTRICATE ITSELF WITHOUT EXPOSING ITSELF TO ATTACK FROM THE LEFT.

7. WHILE THIS CABLE WAS IN PREPARATION AMBASSADOR MADE COURTESY CALL ON NEW MINISTER OF MINES AND ENERGY, GENERAL LUIS LA VERA. ALTHOUGH CALL WAS PROTOCOLARY AND LA VERA WAS ACCOMPANIED BY DIRECTOR GENERAL TORD, A NOTE-TAKER AND A MILITARY AIDE, AMBASSADOR DID TAKE OPPORTUNITY TO REVIEW LIMITED OFFICIAL USE

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MARCONA MATTER WITH HIM, LEAVING WITH HIM COPIES OF OUR TALKING POINTS PAPERS AND EXPRESSING HOPE THAT CURRENT CONVERSATIONS WOULD LEAD TO SUCCESSFUL AGREEMENT CONCERNING ALL ISSUES, INCLUDING COMPENSATION FOR SAN NICOLAS PROPERTIES. IN HIS TURN LA VERA URGED PATIENCE AND UNDERSTANDING ON PART OF USG AND MARCONA, POINTING OUT THE DIFFICULTIES AND THE RISKS INVOLVED IN THE NEGOTIATIONS, ESPECIALLY TO HIM AS THE NEW MINISTER OF MINES, WHO INHERITED BOTH THE PROBLEMS AND POLICIES OF HIS FRIEND AND FORMER MINISTER, FERNANDEZ MALDONADO. HE ASKED AMBASSADOR TO RECOMMEND TO MARCONA THAT IT BE PATIENT AND NOT BREAK OFF NEGOTIATIONS SHOULD GOING GET DIFFICULT.
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